



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor
Kathleen Clarke
Executive Director
Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210
PO Box 145801
Salt Lake City, Utah 84114-5801
801-538-5340
801-359-3940 (Fax)
801-538-7223 (TDD)

September 29, 2000

Sid Hullinger
McFarland and Hullinger
8960 North Highway 40
Lakepoint, Utah 84074

Re: Tentative Approval to Commence Large Mining Operations, McFarland and Hullinger, SI02 #1-6
Mine, M/045/046, Tooele County, Utah

Dear Mr. Hullinger:

The Division has completed a review of your latest response, received July 18, 2000, to our April 4, 2000, deficiency review letter. After reviewing this latest information, the Division is now prepared to grant tentative approval of the SI02 #1-6 large mining permit application. We prepared the formal notice of tentative approval which has been sent to the Tooele County and the Salt Lake City newspapers. This will begin the required 30-day public comment period. If no substantive comments are received during the public comment period, the Division will then be prepared to issue its final approval for this project.

Prior to issuing final approval, a Reclamation Contract (Form MR-RC) must be completed and filed with this office (form enclosed). We have taken the liberty of filling in the name and policy number of the surety bond, and the project name and number. We have also enclosed a copy of the Reclamation Contract you furnished the Division on December 2, 1999. This contract accompanied an *interim* surety bond issued by Continental Casualty which is being canceled on October 10, 2000.

On September 15, 2000, we received your \$100,000 replacement surety issued by Travelers Casualty and Surety Company of America. Please provide us with a "draft" copy of the updated Reclamation Contract before it is finalized so we can review it for completeness and accuracy. We will forward the draft Reclamation Contract along with the new surety bond to our legal counsel for review upon receipt.

Thank you for your cooperation in completing this permitting process. If you have any questions regarding this tentative approval or the Reclamation Contract form, please contact me, Tom Munson or Joelle Burns at (801) 538-5286, 538-5321 or 538-5291 respectively.

Sincerely,

D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb
Enclosure - MR-RC & copy of 12/2/99 MR-RC
M45-46-tent-apv

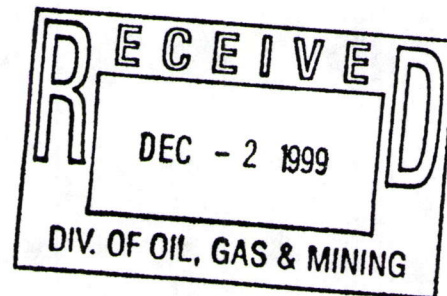
FORM MR-RC
Revised January 7, 1999
RECLAMATION CONTRACT

File Number M/045/046

Effective Date _____

Other Agency File Number _____

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940



RECLAMATION CONTRACT

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.)
(Mineral Mined)

M/045/046
Quartzite (High grade silica ore)

"MINE LOCATION":
(Name of Mine)
(Description)

SI02 4 and 5

#1-6

The mine is located on the west side of Stansbury Island,
6 miles due north of Exit 84 - Interstate Highway 80,
and approximately 12 miles north west of Grantsville, Uta

"DISTURBED AREA":
(Disturbed Acres)
(Legal Description)

Currently approximately 4.4 acres are disturbed under a
small mine permit. Over the projected mine life, no more
than 24 total acres will be disturbed.

(refer to Attachment "A")

"OPERATOR":
(Company or Name)
(Address)

McFarland and Hullinger
P.O. Box 238
Tooele, Utah 84074

(Phone)

(435) 882-0103

"OPERATOR'S REGISTERED AGENT":

(Name)

(Address)

(Phone)

Sidney K. Hullinger

Box 238

Tooele, Utah 84074

(435) 882-0103

* Please
Make any
necessary
changes
or
revisions.

"OPERATOR'S OFFICER(S)":

Sidney K. Hullinger

Chief Executive Officer

"SURETY":

(Form of Surety - Attachment B)

Surety

bond

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Continental Casualty Co.

*update
with new
surety
company*

"SURETY AMOUNT":

(Escalated Dollars)

\$100,000

"ESCALATION YEAR":

1999

*update w/new 5yr
escalation yr.*

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between McFarland and Hullinger, LC the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/045/046 which has been approved by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated 11-11-99, and the original Reclamation Plan dated 11-11-99. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the Division that the aggregate face

amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The Division shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

McFarland and Hullinger, L.C.

Operator Name

By Sidney K. Hullinger

Authorized Officer (Typed or Printed)

Chief Executive Officer

Authorized Officer - Position

Sidney K. Hullinger
Officer's Signature

11-30-99
Date

STATE OF Utah)
COUNTY OF Janele) ss:

On the 30th day of November, 1999, personally
appeared before me Sidney K. Hullinger who being by
me duly sworn did say that he/she, the said Sidney K. Hullinger
is the Chief Executive Officer of McFarland and Hullinger
and duly acknowledged that said instrument was signed on behalf of said company
by authority of its bylaws or a resolution of its board of directors and said
Sidney K. Hullinger duly acknowledged to me that said
company executed the same.

Betty M. Bunn
Notary Public
Residing at: Janele, Utah

January 11, 2002.
My Commission Expires:



*Please
make any
necessary
changes.*

DIVISION OF OIL, GAS AND MINING:

By _____
Lowell P. Braxton, Director

_____ Date

STATE OF _____)
COUNTY OF _____) ss:

On the _____ day of _____, 19 _____,
personally appeared before me _____, who being
duly sworn did say that he/she, the said _____
is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources,
State of Utah, and he/she duly acknowledged to me that he/she executed the foregoing
document by authority of law on behalf of the State of Utah.

Notary Public
Residing at: _____

My Commission Expires:

ATTACHMENT "A"

Operator MCFARLAND AND HULLINGER, LC

Mine Name SIO 4 AND 5 #1-6

Permit Number M/045/046

TOOELE County, Utah

The legal description of lands to be disturbed is:

The areas to be disturbed are primarily contained within the northwest and northeast quarter sections of Section 28 of Township 1N Range 6W SLB&M. Additionally, there will be some access roads within the southwest and southeast quarter sections of Section 21 of the same Township.

The mining areas and access roads will all be east of the county road that runs north and south on the west side of Stansbury Island. The ridgeline of the steep ridge east of the county road is the absolute eastern boundary of the proposed mining areas. We will not disturb more than 24 acres within the 48 acre proposed mining area. Further, this disturbance will proceed in small increments as the ore body is extremely steep and horizontal penetration into the mountain is gradual. We have been mining for five years and have disturbed only approximately 4.4 acres.

Note: * (The ^{topographic} disturbed area map should be at least of a 1" = 500' scale, if possible. (1" = 250' preferred))

* Please Add supplemental language similar to the following: "The disturbed & bonded area is further described as ^(outlined) shown on the attached topographic (map, drawing, exhibit, plate, etc...) Pick one # ?."

Revise to reflect correct acreage figures.

Necessary? Is it still accurate?

Please update, revise as necessary to reflect approved plan information.

please update to the nearest 1/4, 1/4, 1/4 section.

FORM MR-RC
Revised January 18, 2000
RECLAMATION CONTRACT

File Number M/045/046

Effective Date _____

Other Agency File Number U-72294

STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION of OIL, GAS and MINING
1594 West North Temple Suite 1210
Box 145801
Salt Lake City, Utah 84114-5801
(801) 538-5291
Fax: (801) 359-3940

RECLAMATION CONTRACT

---ooOoo---

For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.) M/045/046
(Mineral Mined) Quartzite (high grade silica ore)

"MINE LOCATION":
(Name of Mine) SI0₂ 1-6
(Description) _____

"DISTURBED AREA":
(Disturbed Acres) _____
(Legal Description) (refer to Attachment "A")

"OPERATOR":
(Company or Name) _____
(Address) _____

(Phone) _____

"OPERATOR'S REGISTERED AGENT":

(Name)

(Address)

(Phone)

"OPERATOR'S OFFICER(S)":

"SURETY":

(Form of Surety - Attachment B)

"SURETY COMPANY":

(Name, Policy or Acct. No.)

"SURETY AMOUNT":

(Escalated Dollars)

"ESCALATION YEAR":

"STATE":

"DIVISION":

"BOARD":

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between _____ the "Operator" and the Utah State Division of Oil, Gas and Mining ("Division").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. _____ which has been approved by the Utah State Division of Oil, Gas and Mining under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Division, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Division and the Operator agree as follows:

1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated _____, and the original Reclamation Plan dated _____. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Division. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Division in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Division. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
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request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Division to substitute surety. The Division may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.
14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.

OPERATOR:

Operator Name

By _____
Authorized Officer (Typed or Printed)

Authorized Officer - Position

Officer's Signature

Date

STATE OF _____)
COUNTY OF _____) ss:

On the _____ day of _____, 20 _____, personally
appeared before me _____ who being
by me duly sworn did say that he/she, the said _____ is
the _____ of _____
and duly acknowledged that said instrument was signed on behalf of said company by
authority of its bylaws or a resolution of its board of directors and said
_____ duly acknowledged to me that said company
executed the same.

Notary Public
Residing at: _____

My Commission Expires:

DIVISION OF OIL, GAS AND MINING:

By _____
Lowell P. Braxton, Director

_____ Date

STATE OF _____)
COUNTY OF _____) ss:

On the _____ day of _____, 20 _____,
personally appeared before me _____, who being
duly sworn did say that he/she, the said _____
is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources,
State of Utah, and he/she duly acknowledged to me that he/she executed the foregoing
document by authority of law on behalf of the State of Utah.

Notary Public
Residing at: _____

My Commission Expires:

ATTACHMENT "A"

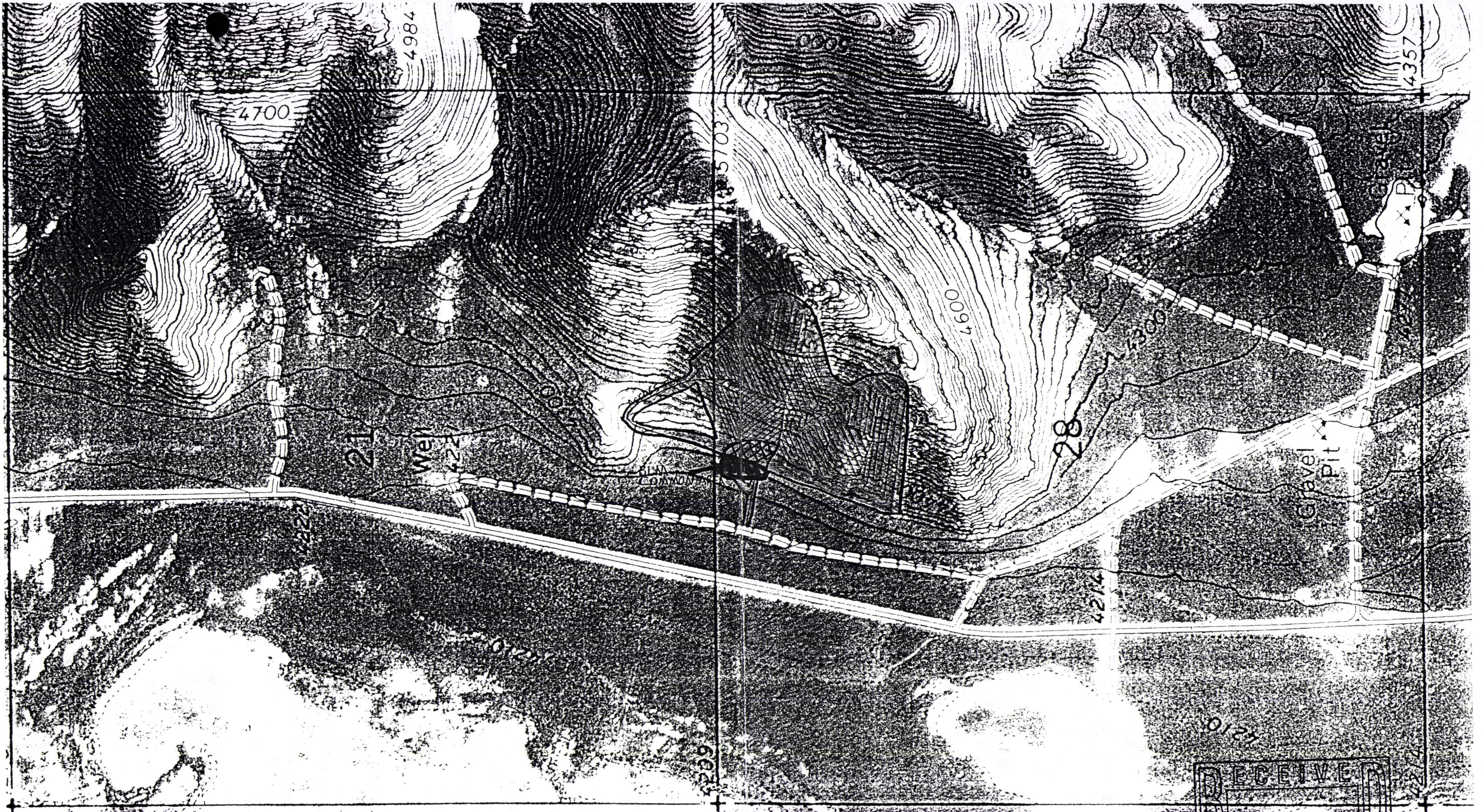
Operator

Mine Name

Permit Number

County, Utah

The legal description of lands to be disturbed is:



Attachment 6 page 1 of 1

LEGEND

668 Feet

- /// July 2000 Working Face
- /// 2001-2005
- ||| 2005-End
- BLM COMMON AREA (Topsoil storage area)
- Disturbed Area (Road=2 acres)
(Operations=38 acres)

XX Surface Facility Area
Processing and Operations
(See Attachment D of Original Application)

Township 1 N
Range 6 W

RECEIVED
SEP 27 2000

DIV. OF OIL, GAS & MINES

SiO₂

McFARLAND + HULLINGER